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**THE GHOSTS OF
ACQUISITION REFORM:
PAST, PRESENT AND FUTURE**

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***"THE GHOSTS OF ACQUISITION REFORM:
PAST, PRESENT AND FUTURE"***

by
Lieutenant Colonel Stephen V. Reeves, USA

ABSTRACT

Since the Revolutionary War, critics have referred to defense acquisition as primitive practices, hobbled by complex rules, conducted by untrained personnel, resulting in defense industry profiteering, poor supplies and equipment, and cost and schedule overruns. In response, over the next 200 years, Congress passed more than 4000 acquisition related statutes, the General Accounting Office issued more the 900 reports, and since World War II 12 major commissions and panels have made acquisition reform recommendations. Yet in introducing the Acquisition Reform Act of 1995, Senator Roth stated:

"Recent reports from the Defense Department and the General Accounting Office highlight the need for reform. In short, the Defense Department has become increasingly unable to produce the best technology in an affordable manner, when it is needed. The vast majority of weapons acquisition programs are experiencing severe cost and schedule problems."

Given all previous acquisition reform attempts, is the defense acquisition process inherently flawed and beyond repair? This paper evaluates the effectiveness of previous reform attempts as a roadmap to present and future acquisition reform. The paper also examines potential roadblocks inherent in the government acquisition process and considers the need and the possibilities for systemic change.

The reader is provided a brief background of pre-World War II acquisition reforms. These reform efforts provide the basis for many of today's acquisition laws, regulations, and issues. This paper then provides a summary and analysis of the findings of modern (post World War II) defense acquisition commissions and panels. Finally, the paper concludes with an analysis of systemic acquisition issues, current acquisition reform initiatives, and an evaluation of these initiatives as a basis for future action.

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INTRODUCTION

***" I will live in the Past, the Present, and the
Future. The Spirits of all Three shall strive within me. I
will not shut out the lessons that they teach. Oh, tell me I
may sponge away the writing on this stone."***

-- Ebenezer Scrooge in *A Christmas Carol*, by Charles Dickens

The Commission states in the introduction to its report that the Department of Defense operating policies covering the acquisition of weapons systems:

"...contribute to serious cost overruns, schedule slippages and performance deficiencies...the difficulties do not appear amenable to a few simple cure-alls, but require many interrelated changes in organization and procedure..."¹

The report sounds all too familiar. The defense acquisition system is in crisis. Sophisticated weapons take too long to procure at too high a price. Dramatic, systemic changes are required. These charges could come from the National Performance Review, the General Accounting Office, or even the latest Department of Defense process action team evaluating defense acquisition practices.

Except, they do not. The above quote is more than 25 years old from the 1969 Blue Ribbon Defense Panel, also known as the Fitzhugh Commission. In fact, criticism of the defense acquisition process is as old as the Republic. Since the Revolutionary war, critics have referred to national defense acquisition as primitive practices, hobbled by complex rules, conducted by untrained personnel resulting in defense industry profiteering, poor supplies and equipment, and cost and schedule overruns. Since World War II, at least twelve major acquisitions studies, commissions and panels have made recommendations on reforming defense

acquisition laws, regulations and processes (see table 1). And since 1971, GAO has issued over 900 reports on weapons systems acquisition.²

Table 1
Major Defense Acquisition Reform Studies, Commissions and Panels

1949	Hoover I
1953	Rockefeller Committee
1953	Hoover 2
1961	McNamara Initiative
1970	Fitzhugh Commission
1972	Commission on Government Procurement
1983	Grace Commission
1985	Packard Commission
1989	Defense Management Review
1993	Section 800 Panel Report
1993	National Performance Review
1994	Federal Acquisition Streamlining Act

Congress first responded to early criticisms of defense acquisition on May 8, 1792, by passing the first law regulating Federal procurement, and in the next 200

years followed with over 4,000 acquisition related statutes.³ The current administration has again focused attention on defense acquisition reform both in Vice President Gore's National Performance Review, and in seeking systemic defense acquisition reform by establishing policy leadership through the newly created position of Deputy Under Secretary of Defense for Acquisition Reform. Policy, processes, and law are being reformed and streamlined. Even defense industries seem to agree these changes are improvements. Defense procurement trade publications editorially hail The Federal Acquisition Streamlining Act (FASA) of 1994 as giving "the green light to provide products and services to the government employing the most efficient practices..."⁴ After more than 200 years of trying, we are finally "fixing" defense acquisition practices.

Or are we? In introducing The Acquisition Management Reform Act of 1995, Senator Roth stated:

"Recent reports from both the Defense Department and the General Accounting Office highlight the need for reform. In short, the Defense Department has become increasingly unable to produce the best technology in an affordable manner, when it is needed. The vast majority of weapons acquisition programs are experiencing serious cost and schedule problems."⁵

Senator Roth continued, referring to "cumbersome and top-heavy bureaucratic agencies, multi-billion-dollar cost overruns, programs that are years or even decades behind," and "incentives that encourage spending rather than cost-cutting."⁶ In other words, despite all past and present efforts, the defense acquisition system is still broken.

But is the "system" really broken? Have we learned nothing from passing 4,000 laws, 900 GAO reports, twelve post-World War II major acquisition reform studies

and 200 years of defense acquisition experience? Is the defense acquisition process inherently flawed and beyond repair? *This paper evaluates the effectiveness of previous reform attempts as a roadmap to present and future acquisition reform. It also examines potential roadblocks inherent in the government acquisition process and considers both the need and the possibilities for systemic change.*

THE GHOSTS OF ACQUISITION REFORM - PAST

Whatever other lessons are drawn and debated from the Persian Gulf war, one fact is clear: the United States produces the best high technology weapons in the world. Yet we have railed against the inadequacies of the defense acquisition process almost from the beginning of the Republic. Especially since World War II, there has been an almost constant stream of commissions, studies, investigations, reports, initiatives, and legislation directed at reforming "the process." Each reform commission had its' own *casus belli*. Based on their grand cause, these commissions and panels generally directed both their ire and reform measures at specific elements within the defense acquisition system, isolating areas such as production (free enterprise versus the arsenal system), personnel, training, procurement, organization, or management processes. And yet, issues remain. Today, for example, a "hot" issue is technology "cycle time," i.e., the suggestion that technology is advancing at a rate which makes state-of-the-art systems obsolete in 18 months. A recent industry report stated: "Pentagon officials will not be able to take advantage of the latest commercial technologies until they change how they purchase and maintain the inventories of high-technology equipment."⁷ The American Defense Preparedness Association's suggestion is to buy commercial items to meet military needs, thus reducing the typical 6 to 12 year defense project

cycle time. In partial response to these concerns, the Department of Defense has issued guidance directing eliminating most military specifications in defense contracts. Future defense procurements are to use commercial specifications and so-called "off-the-shelf" commercially available technology to the maximum extent possible.

But is this a systemic process issue? Or is this a project management and military judgement issue? Is it even truly a new issue? In 1876, General George Armstrong Custer was defeated at the Battle of the Little Big Horn not only by a superior force, but by a force with superior weaponry. Both sides were armed with *commercially* available weapons. But while the U.S. Cavalry was armed with single-shot Springfield rifles, their enemy was armed with Winchester repeating rifles. So where did the acquisition process fail? The Army-issued single-shot Springfield rifle, and the Native American's Winchester repeating rifles were both *commercially produced within a year of each other*.⁸ So was the U.S. Cavalry's weapon's problem delays in the acquisition process, the failure to recognize the advantages of new technology, simply bad judgment, or a combination of all three?

Acquisition reform issues do not lend themselves to simple treatment. Many factors impact the procurement process and decisions and past reform commissions readily point to the complexity of the acquisition system. Yet there are recurring themes strongly influencing all these reform efforts. As noted in the 1972 Report of the Commission on Government Procurement, these recurring themes are reflected in questions such as:

- Who is in charge?
- How can we control prices and preclude excessive profits?
- How do we encourage competition?
- How do we maintain public accountability?
- What is the role of the public versus private sector?

-- What socio-economic goals can or should be achieved through defense procurement?

We begin by briefly examining acquisition reform through World War II, and then providing a more comprehensive treatment of modern acquisition reform efforts.

The Revolutionary War to World War II

Although World War II is generally considered the beginning of modern acquisition policy and process, remarkably, many of the "current" acquisition reforms issues can be found as far back as colonial days. Concerns with excessive profits, controlling prices and the role of the government versus the private sector in defense acquisition predate the constitution. General George Washington complained of war profiteers, even as colonists refused to accept Continental currency. By 1777, a frustrated Washington took public control of war production by ordering development of a government owned cannon casting facility, when risk averse private manufacturers refused the work. The concept of a government-owned "arsenal system" was born.⁹

In 1798, in an effort to "streamline" government procurement, Alexander Hamilton centralized government purchasing under the Treasury Department. Yet even with a relatively small federal government, this procedure proved unworkable and by 1799, some authority was re-delegated to the War and Navy Departments. By the War of 1812, Congress had established the Quartermaster General's Office, firmly entrenching the military's independent procurement structure.¹⁰ The concept of advertising for competitive bids can be traced to 1809 when Congress first called for competition in government contracting.¹¹ By an 1842 statute, Congress required advertising, sealed bids and default security.¹² And in 1831, the Supreme Court first attempted to establish who is in charge of government procurement by noting that "the implied power of the executive to enter into contracts is inherent in the concept

of sovereignty."¹³ However, the Court did not leave the matter entirely clear. The court went on to note that withdrawing money from the Treasury, under Section 9, Article 1 of the Constitution, requires appropriations by Congress. Consequently, Congress both retains and routinely exercises its rights to place requirements and limitations on the executive's implied contracting powers.

By 1861, Congress was sufficiently concerned with defense acquisition to appoint a select committee to examine allegations of defense waste and corruption. Although the select committee confirmed extensive fraud, it was not until the 1893 Dockery Commission that Congress began reasserting itself in the process. The joint House and Senate Dockery Commission was Congress's first attempt at significantly restructuring government procurement. It is frequently referred to as the "prototype commission" by both the 1949 Hoover Commission and the 1972 Commission on Government Procurement.¹⁴ The Dockery Commission found the government paying differing prices for the same articles and first advanced the concept of commonality -- standardizing government specifications and then making quantity buys. By 1905, the Keap Commission found the same problems and in 1908, by executive order, the General Schedule of Supplies established centralized government purchasing of common supplies.¹⁵

Today, defense acquisition reform struggles with the dichotomy between "business efficiency" and using "public money for public good." The latter practice is deeply rooted in our history. It was during the later 1800's and early 1900's that we find the first uses of government procurement for socio-economic reform purposes. An 1887 law restricted use of convict labor (later completely prohibited by the Walsh-Healy Act). Laws passed in 1892 and 1912 established the eight-hour work day on government contracts. An 1897 statute attempted price controls on armor plate, although this was repealed in 1900. But the 1930's brought truly concerted attempts at promoting socio-economic goals through government

procurement. After being overturned in the courts in attempts to promote socio-economic relief through controlling taxes and interstate commerce, the Roosevelt administration and Congress turned to government procurement law.¹⁶ The Davis-Bacon Act, Walsh-Healy Act, Miller Act and Copeland Act dealt respectively with minimum wages, upgrading wages and conditions of employment, requiring payment bonds to protect subcontractors, and prevent kickback payments. In 1938, Congress required federal procurement preferences to blind industries (later expanded in 1971 to all handicapped industries).¹⁷

But the most striking pre-World War II legislation is the Air Corps Act of 1926. Responding to War Department complaints for more flexibility in the procurement process, the Air Corps Act's stated purpose was improving the Army Air Service. However, its symbolic importance and process improvements go much beyond its discreet value. The War Department was given new procurement authorities. For the first time, *performance*, rather than price was the controlling factor in making production awards. The Act required advertising and publication of detailed requirement specifications. It also allowed the department to seek designs of either domestic or foreign origin, with or without competition. It did, however, restrict awarding production contracts to U.S. manufacturers. The Act also set precedent by describing control measures for the government to receive safe and efficient equipment at reasonable costs. The prescribed process included allowing facility inspections, and auditing defense contractors books. It also required Congressional reporting of all operations under the Act, including who the contractors were and their prices. Criminal sanctions were also imposed for the first time against price fixing in competitive bidding.¹⁸

In many ways, the Air Corps Act of 1926 is the progenitor of many of today's acquisition laws, regulations and issues. To a modern defense manager, the provisions of this 1926 Act endure in forms such as the Competition in Contracting

Act, the Buy American Act, and the Truth In Negotiations Act along with the Department of Defense Cost Accounting Standards system. Most interesting, despite severely constrained military budgets during the 1920's, is the 1926 Act's provision making *performance* the determining factor in government contract awards. During the next 70 years, in both "good" and "bad" budget years, performance parameters dominated the government's requirements determination process, military specifications, technical and operational testing, and contractor selection processes. Therefore, there is no small irony in a 1995 Defense Management Committee's finding:

"In a constrained budget period, the objective is to change DoD values, policies, and procedures to make *cost* a major and balanced consideration in establishing requirements for new weapons and needs, and in managing the design of new weapons systems."¹⁹

World War II

Just as the Roosevelt administration was recognizing the utility of the government acquisition process for socio-economic goals, it was faced with preparing the country for war. In 1940, President Roosevelt declared a "threatened national emergency" and established the Office of Emergency Management in the Executive Office of the President. One of its first functions was the clearing of Army and Navy contracts to speed procurement actions. By subsequent legislation in 1940, 1941 and 1942, many of the previous government acquisition strictures were stripped away. But as the war progressed, the defense industry sector grew exponentially to meet war-time demands. And in a repeat of post- World War I findings, Congressional Committees again began uncovering instances of government contractor profiteering. This in turn led to new legislation requiring cost and pricing

analysis and the extensive use of price-revision clauses and other pricing devices in government contracts.²⁰

World War II, then, is a watershed event in defense acquisition reform for two reasons. First, it is the beginning of a large and permanent defense establishment.²¹ The traditional free-market, where defense buyers and any commercial seller could come and go, was rapidly fading. Secondly, it establishes the origins of an enduring conflict in modern defense acquisition. This is the conflict between the inability of peace-time acquisition systems to rapidly develop and acquire systems, and the government's need to institute management systems that maintain public accountability over government contractors, while also accomplishing socio-economic and political goals. The sheer size of the World War II defense industrial base build-up, and the dollar amounts involved also form the basis for another enduring finding in defense acquisition reform studies -- the huge potential for fraud, waste, mismanagement and inefficiency throughout the process.

THE GHOSTS OF ACQUISITION REFORM - PRESENT

The end of World War II, then, left the United States with a new defense acquisition paradigm and the beginning of many modern defense acquisition practices and challenges. The United States military now had at least three new, and significant, strategic challenges. First, was the presence of a full-time enemy -- the Soviet Union. During the next fifty years, wars were fought for strategic objectives beyond their own, discrete value. Regardless of the nationality or physical territory occupied by enemy on the ground, the "real" enemy was always the spread of communism beyond the Soviet periphery. Likewise, weapons systems would now be developed almost exclusively against a Soviet "threat" counterpart. Secondly, World War II was the first war in which the weapons deployed at the end of the war were significantly different from those at the beginning of the war. The most

familiar examples are jet aircraft, missiles, proximity fuses, and, of course, the atomic bomb. The U. S. military was relearning the lessons of the history of technology. Even Eratosthenes observed that the main reason for doing cube roots was to calculate the settings for ballistae.²² But not until World War II did military planners fully appreciate that the next war would be won as much in the laboratory as in the factory.²³ Finally, as a consequence of these first two developments, defense acquisition was now not only a defense process, but clearly embedded in political processes, including foreign policy, the national economy, and society in general. Starting with the 1947 Truman Doctrine and the origins of the containment strategy, the size and composition of the United States military became integral to the foreign policies and "doctrines" of a succession of U.S. presidents. By the early 1950's, sixty percent of the nation's gross domestic product was consumed by national defense. And with these great expenditures came laws and requirements for non-discrimination in employment and other socio-economic programs to assist designated segments of the economy.²⁴

With these events, and contrary to all previous American post-war experiences, the comparatively small and unsophisticated U.S. peacetime "militia" envisioned by the Federalists and the U.S. Constitution was becoming a permanent, large peacetime force. Supporting this force was an even larger industry dedicated to developing and producing sophisticated, technologically superior weapons. These developments began the hothouse environment of military research and development that produced the international arms race, military-industrial complexes here and abroad, and the expansion of military interests into new realms such as computers, communications, spaceflight, microelectronics, astrophysics and a host of other fields.²⁵

Given these new international responsibilities, and what we would now call a "new world order," also came new organizations. The National Security Acts of 1947 and

1949 reaffirmed, some may even suggest re-established, civilian control over the military by creating the Department of Defense and the position of Secretary of Defense. Instituting a multi-layered defense management structure, these Acts centralized control of the military departments, and created a War Council and Joint Chiefs of Staff for operational control. It further created the Munitions Board and the Research and Development Board for controlling defense business and acquisition.²⁶ These latter two boards are of particular note because they form the basis for today's Defense Acquisition Board (DAB) and Joint Requirements Oversight Council (JROC).

The Munitions Board was chartered to:

- Coordinate service procurement and production plans
- Plan defense mobilization
- Recommend designating procurement responsibilities across services
- Promote standardized specifications and supplies
- Determine military procurement program priorities

The Research and Development Board was simply directed to "advise the Secretary of Defense on the status of scientific research relative to national security."²⁷

Most importantly, for the purposes of this discussion, these two Acts form the basic defense acquisition structure under which we still operate today. It is the basic principals of centralized civilian control, policy decision authority, technology directions and the business practices of the services that are the recurring targets of modern acquisition reform efforts.

The Hoover Commission, 1947-1949 (HOOVER I)

In 1947, Congress created the Commission on Organization of the Executive Branch of the Government to include reviewing the National Military Establishment (the precursor to the Department of Defense). Chaired by former President Herbert Hoover, the commission focused on government management and structure issues.²⁸ In its 1949 report, the Hoover commission concluded that the National Security Act of 1947 left the Secretary of Defense "weak" and established a defense management process that was "a rigid structure of federation rather than unification."²⁹ In words that would echo through many future reports, the Commission further asserted that the lack of centralized control resulted in the nation "not getting it's money's worth of defense because of waste and inefficiency in the armed services," a not unexpected finding given that in 1947 national defense accounted for \$15 billion of a \$40 billion annual federal budget. Hoover I recommended withdrawing many individual service prerogatives including giving the new Secretary of Defense centralized budget and expenditure authority, total policy approval authority over service programs, and "full authority for the procurement and management of supplies and material."³⁰ Despite the commission's predilection for the virtues of centralized management, the commission stopped short of recommending consolidating service materiel acquisition responsibilities. Although the commission's report received a strong endorsement from President Truman, it would take two more acquisition reform commissions, ten years, and a new president before many of the Hoover Commission's recommendations were implemented.

The Rockefeller Committee - 1953

Under the banner "I will go to Korea," President Eisenhower swept into office and again determined the defense establishment required reforming. Establishing the President's Advisory Committee on Government Organization in 1953, chaired by

Nelson Rockefeller, the committee immediately focused on the Department of Defense. Like Hoover I, the Rockefeller Committee, too, found a need for more effective DoD planning and civilian control. Likewise, the committee determined that what was needed was "more defense for the dollar."³¹ Interestingly, this latter finding was precisely in line with the Eisenhower administration's call for developing a national security policy within "constrained resources."

The Rockefeller Commission also found a "federated" rather than unified DoD, and recommended eliminating the Munitions Board, the Research and Development Board, Defense Supply Management Agency and Office of Director of Installations. Replacing these organizations would be six assistant secretaries of defense. These assistant secretaries were not to be in the chain of command, but rather advisors. Their influence would stem from their proximity to the Secretary -- a system which endures to this day. The Service Secretaries would become the Defense Secretaries principal advisors on operations.³² The committee's recommendations were promptly approved by President Eisenhower and passed into law by Congress.³³

Hoover II - 1953-1955

Yet, Congress was not satisfied with President Eisenhower's reorganization plans and literally within days of approving the President's plan established a new Commission on Organization of the Executive Branch, again chaired by former President Herbert Hoover. Although ostensibly directed at the entire executive branch, the commission's report promptly noted in its preface:

"...the most obvious opportunity to make real savings in the cost of Government is in the DoD because it has three-fourths of the government's payroll and more than 60% of its total budget."³⁴

Hoover II, like its predecessors, found inefficient operations and a lack of centralized oversight at the heart of DoD's wasteful spending. But emboldened by a broader Congressional charter than Hoover I, Hoover II went on to make policy recommendations, including reducing Government direct business operations. In the case of DoD, this meant reducing, if not eliminating the arsenal system.

The Eisenhower administration immediately reacted with Bureau of the Budget directives introducing more competition and commercialization into the arsenal system, effectively forestalling Congressional action.³⁵ However, the vast majority of the remaining Hoover II findings were approved and implemented in the DoD Reorganization Act of 1958. These findings primarily focused on providing military supplies and services -- in other words, business efficiency. Left unaddressed by the Commission, despite their charter, were management of acquisition policy issues.

One major finding not implemented is noteworthy for its present currency. Hoover II notes the problems of attracting "qualified" private sector executives to government service. The Commission recommended relaxing then existing Conflict of Interest laws for certain categories of senior government personnel in order to make government service more acceptable. Ironically, instead of relaxing the laws, or simply ignoring the recommendation, Congress did just the reverse -- they made the laws even more restrictive.³⁶

McNamara Era - 1961

Although not a formal commission or study, the McNamara era is worth noting if for no other reason than the enduring nature of many of the acquisition-related processes established under Secretary of Defense Robert McNamara. Coming from Ford Motor Company, Robert McNamara established the Planning, Programming and Budgeting System still used in the defense acquisition process. He further

established requirements for analytical rigor in evaluating the need, costs and operational effectiveness of new weapons systems. The use of these processes further reinforced centralized DoD policy decision-making through the power of the budget. Eight years later, however, the Fitzhugh Commission would directly challenge these procedures.

Fitzhugh Commission - July 1969

The Blue Ribbon Defense Panel, appointed by President Nixon and chaired by Gilbert Fitzhugh, is notable as the first major study specifically focused on defense acquisition reform. All previous studies examined government procurement in general. In many respects, this report was the first systemic evaluation of defense acquisition practices. As noted in the opening lines of this paper, the Fitzhugh Commission found that problems were interrelated, requiring changes in both organizations and procedures.

The Fitzhugh Commission also took issue with much of what its predecessors had to say regarding the alleged benefits of DoD centralization, paper analysis, and DoD operating policies. The panel noted that excessive centralization and the Secretary of Defense's large span of control, along with management layering had contributed to "serious cost overruns, schedule slippages and performance deficiencies" in defense acquisition programs. The report also found "unwarranted reliance on paper analysis" along with "senior defense officials...reluctant to delegate authority."³⁷ In essence, the Fitzhugh Commission was a direct rebuke to many of the "business practices" instituted under Robert McNamara.

Other Fitzhugh recommendations, still resonating today, included establishing flexible acquisition strategies, incrementally developing subsystems, establishing multiple decision points during program developments, increased testing and the need for professional development of acquisition personnel.³⁸

Particularly interesting is the commission's recommendation that fixed priced contracts should *not* be used in research and development efforts due to the high risks and many technical and engineering "unknowns" associated with these efforts. Ironically, by the early 1980's DoD had determined that fixed price contracts were the *only* method by which the government could control research and development costs and force "realism" into defense contractors bids and proposals. By the late 1980's, several major defense contractors were nearly bankrupted by this practice, including LTV Corporation, Northrop and Grumman Aircraft, after discovering "unknown unknowns" in their research and development efforts. Once again, DoD reverted to a policy of not using fixed priced contracts in major research and development efforts.³⁹

Similarly, the Fitzhugh Commission recommended *prohibiting* Total Package Procurements, a process by which a project manager and the contractor is responsible for developing not only a major end item, but all associated logistical support, including such things as training, spare parts, drawings for recurring spares, and so forth. Yet by the mid-1970's, the Joint Logistics Commanders had recommended and the services had variously instituted "integrated logistics support" and "total package procurements" as the model for procurement. These policies endure to this day. But we may yet come full circle on this issue. In December 1992, a GAO report on acquisition reform noted that despite using "Total Package Procurement, the C-5A program experienced significant cost and schedule growth and serious performance problems that took years to correct."⁴⁰ The Acquisition Reform section of the National Performance Review also takes note of this issue suggesting increased use of commercial specifications and hence commercial logistics support.

With a focus on process, much of the Fitzhugh Commission's recommendations were left to the Department of Defense to implement rather than requiring

Congressional action. Although the Fitzhugh Report was generally embraced by DoD at the time, few of its recommendations were implemented. In fact, the 1985 Packard Commission recommendations are a virtual mirror-image of the Fitzhugh Commission report.

The Commission on Government Procurement, November 1969

While the Executive Branch looked at the Department of Defense with the Fitzhugh Commission, Congress once again took on *all* federal government procurement processes and procedures by establishing The Commission on Government Procurement. The commission quickly found a lack of uniformity among federal agencies resulting in an inefficient system. Specifically, the commission reported:

"Procurement regulations, practices and procedures are relatively uncoordinated and often inconsistent. The volume of expensive paperwork swells yearly and procurement procedures grow more complicated every day." ⁴¹

Interestingly, the commission also noted that in the absence of any unifying policy guidance, DoD dominated the policy development process. To resolve this issue, and simplify the process for those wishing to do business with the government, the commission recommended formation of the Office of Federal Procurement Policy, a recommendation implemented by Congress in 1974. The commission also echoed many of the Fitzhugh commissions findings, including using competitive negotiated contracts instead of formal advertising, greater use of multi-year contracting, professional development programs for acquisition personnel, raising small purchase and socio-economic thresholds, emphasizing competition in acquisitions, establishing an independent operational test and evaluation activity, and delegating more authority for program decisions.

One measure of effectiveness, or more precisely, the ineffectiveness in the creation of the Office of Federal Procurement Policy (OFPP) is the OFPP's own study of their attempts in unifying the federal procurement process. In 1980, the OFPP found:

- 485 offices regularly issued procurement regulations
- 877 different sets of regulatory issuances, including bulletins, instructions, and regulations
- 64,570 pages of procurement regulations were in effect
- 21,900 new or revised regulatory pages were issued each year
- 83% of all procurement regulations were issued at levels below the agency or department headquarters⁴²

In a 1982 follow-on report, OFPP found the procurement process so complex, government users of products and services did not get what they wanted when they needed it. The report also found the statutory base outdated, stating that the government and its suppliers were often adversaries because the procurement process is cumbersome, costly and frustrating leading to less competition and erosion of the industrial based. And finally, in a recurring theme, that the career management programs were not adequate to maintain a professional workforce.

In response to these findings, Congress passed the Federal Acquisition Regulation System in 1980. This Act attempted to reduce and standardize federal procurement regulations. Congress also passed the Competition in Contracting Act of 1984 to encourage greater industry participation in government procurements. Lastly, in 1993, Congress established the Federal Acquisition Institute to improve and maintain the quality of the workforce.

Grace Commission, 1982-1983

President Reagan, looking to back-up his campaign pledge to eliminate 2% of the federal budget simply by eliminating "waste, extravagance, abuse, and outright fraud," established in 1992, the President's Private Sector Survey on Cost Control, chaired by J. Peter Grace. Not surprisingly, the Grace Commission quickly concluded that \$424 billion in government-wide savings could accrue primarily through the use of "sound business practices."⁴³ However, out of 2,478 recommendations, no programs were recommended for elimination.

The Department of Defense was again singled out for major reforms, and again the theme was the need for "central management by the Secretary of Defense." But this commission went further, also calling for consolidation of all acquisition functions under an Under Secretary of Defense for Acquisition. The Services would identify their operational requirements, conduct testing, and have final approval authority over systems built for them. This "streamlining" approach would be enhanced by the creation of a single procurement and contract administration agency in the Office of the Secretary of Defense.

Congress took little action in ratifying the Grace Commission's calls for consolidating Defense activities. In part, this may be due to the commission's blunt statements concerning Congressional inputs into the defense acquisition process. For the first time, a major defense acquisition reform commission identified Congress as part of the problem. In the opening lines of the report, the Grace Commission charged:

- "...Congress continually constricts DoD's management prerogatives," and
- "... Major management decisions cannot be made in isolation from home district political pressure."⁴⁴

But the Grace Commission also made several lesser noted, but today increasingly familiar, recommendations. These include recommending decreasing the use of military specifications, repealing or amending selected socio-economic laws, and increasing the use of multi-year contracts.

Packard Commission

Between 1980 and 1985 the Department of Defense Budget grew 40% and with this rapid growth came several highly publicized cases of defense program cost overruns, systems not meeting requirements, and perceived contractor fraud in the form of reported \$400 hammers, \$500 toilet seats, and \$700 coffee pots. By May 1985, there were 131 separate investigations pending against 45 of DoD's 100 largest contractors.⁴⁵

The Reagan administration response to this situation was the Blue Ribbon Commission on Defense Management, chaired by David Packard, a former Secretary of Defense. Focused exclusively on defense management issues, this commission attempted to systemically evaluate the Defense Department in the areas of defense acquisition, organization and decision-making, Congressional oversight, and the national command structure.

In the area of defense acquisition, the commission, clearly influenced by the then popular book by Thomas J. Peters, began a "search for excellence" in defense acquisition. That is, the commission looked for a model on which to base defense acquisition. The Packard Commission's model reflected the business-book management solutions *du jour*, calling for "clear command channels, stability, limited reporting requirements, small quality staffs, dialogue with customers (end-users), and prototyping and testing."⁴⁶

Yet, the commission also provided concrete re-organization recommendations for implementing their proposals. Many of their recommendations could find their

roots in the Fitzhugh Commission and other subsequent studies. Again, their major recommendations did not enjoy immediate support. However, three major commissions and eleven years later, a remarkable number of the Packard Commission's recommendations are now in effect. These recommendations include creation of an Under Secretary of Defense for Acquisition, establishing service acquisition executives, creating program executive officers, recodifying federal law into a single, consistent, simplified procurement statute, and expanding use of commercial products by eliminating military specifications and "those features of current law and regulation that are at variance" with expanded acquisition of commercial products.⁴⁷

Section 800 Report - 1993

With the end of the cold war, Congress began an immediate search for a "peace dividend." By 1990, Congressional consensus was again building to find "efficiencies in defense procurement practices. Section 800 of the Fiscal Year 1991 DoD Authorization Act directed the Department of Defense to establish the Acquisition Law Advisory Panel. Taking its cue from the Packard Commission, this panel was directed to "review all acquisition laws applicable to DoD and make recommendations for repeal or amendments of laws unnecessary to the buyer-seller relationship."⁴⁸ After reviewing some 600 laws, the panel issued an 1800 page report detailing specific changes or elimination of each law reviewed. Key recommendations included simplifying acquisition procedures for procurements under \$100,000, new definitions allowing the Department of Defense to act as a commercial purchaser, new thresholds on socio-economic programs, and eliminating Truth In Negotiation Act requirements for procurements under \$500,000.

Many of these same recommendations were echoed in the Clinton

Administration's 1993 National Performance Review and subsequently implemented in the Federal Acquisition Streamlining Act of 1994.

National Performance Review - 1993

Vice President Gore's 1993 National Performance Review of the defense acquisition process was predicated on a paradigm shift. The Review begins by noting the end of the cold war, new threats to U.S. national security and a defense budget that would be reduced more than 41% by 1997 from its peak in 1985. To meet this new environment, the review concluded that "the Department of Defense must undergo fundamental change."⁴⁹

The recommended changes, however, sound remarkably familiar. The review states that DoD's "new" approach should be guided by "adoption of businesslike process," maintaining a "strong, globally competitive national industrial base," and taking full advantage of technological advances for "streamlining procedures."⁵⁰ Major recommendations included streamlining and simplifying procurement procedures, increased use of commercial items and eliminating military specifications, and defense acquisition pilot programs. It is this last recommendation, defense acquisition pilot programs, that advanced acquisition reform initiatives into a new area.

Perhaps recognizing that wholesale, systemic change was unlikely as a near-term goal, the National Performance Review provided for acquisition pilot programs to "test whether or not efficiencies could be achieved from using standard, commercial industrial practices to procure defense goods and services."⁵¹ The Department of Defense would select and then provide any necessary regulatory or statutory waivers to support pilot programs. The National Performance Review recommended seven

major defense programs as pilot programs.^a And although no information is yet available on the success or failures of these programs, the approach appears promising.

Critics of pilot programs might suggest that this is simply another process, similar to the famed "skunkworks" approach, for removing programs from a hopelessly arcane acquisition process. However two factors argue for pilot programs success as a truly innovative approach. First, pilot programs encourage risk-taking. Congress and policy-makers waive rules, giving them a stake in the process. Managers are provided a testbed for experimenting with new acquisition approaches and processes. In other words, an opportunity to take theory to practice on a few systems before directing wholesale, systemic change based on the later "good idea." Secondly, pilot programs provide the opportunity for demonstrating near-term success. Previous reform attempts stress their long term objectives, but frequently reformers leave quickly, and the bureaucracy can "outlive" the reform initiative. Pilot programs not only help overcome bureaucratic inertia and reluctance to accept change. They also provide policy-makers with a basis for pursuing longer-term acquisition reform initiatives based on demonstrated near-term performance. The inherent attractiveness, and potential of pilot programs is reflected in the Federal Acquisition Streamlining Act of 1994, which authorized 13 pilot programs government-wide.

Federal Acquisition Streamlining Act of 1994

^a The seven pilot programs are the Fire Support Combined Arms Trainer (FSCATT); Joint Direct Attack Munition (JDAM); Joint Primary Aircraft Training System (JPATS); Commercial Derivative Aircraft (CDA); Commercial Derivative Engine (CDE); Global Grid; and certain medical, subsistence and clothing commodities of the Defense Personnel Supply Center.

Incorporating the recommendations of the Acquisition Law Advisory Panel (Section 800 Report), and the National Performance Review, the Federal Acquisition Streamlining Act is the culmination of nearly 50 years of recommendations in streamlining government contracting. The act consolidates, streamlines, and simplifies hundreds of laws into a unified procurement code. However, the significance of this Act extends beyond its discreet value in that for the first time since modern acquisition reform studies began, bureaucratic and political will merged into a consensus for action. The private sector as well has hailed the act, stating "industry is now free to treat the government, in many respects, like any other commercial customer."⁵²

Despite these glowing reviews, real or perceived problems remain in the defense acquisition process. A week after passing the Federal Acquisition Streamlining Act of 1994, Congress introduced the Acquisition Reform Management Act of 1995.

THE GHOSTS OF ACQUISITION REFORM - FUTURE

In analyzing events, historians observe that we frequently view the past as a golden age, a time of great deeds, noble purposes, and heros and heroines. The present is often a time of trouble, crisis and challenges, where we must make fateful choices. The future is a vision of hope and greatness, often likened to the greatness of the past.

Unfortunately, defense acquisition does not appear to enjoy ever having a "golden age" on which to base the hopes of greatness for the future. Indeed, during the past 50 years, defense acquisition reform panels, studies, reviews, and commissions occurred with such frequency that they could virtually provide lifetime employment. Some may even suggest that the torrent of writing on acquisition

reform, combined with spiraling weapons systems costs and repeated acquisition "scandals" is a testament to persistent human ineptitude.

Or is it? An analysis of acquisition reform initiatives since 1949 shows repeated attempts to centralize, simplify and modernize defense acquisition processes (see Table 2). Examining Table 2 systemically, one could quickly conclude that by simply centralizing all acquisition functions within the Department of Defense, adopting "business-like" and "commercial" practices, and educating the acquisition workforce, the defense acquisition process would immediately begin outputting cost efficient and operationally effective weapons systems. These processes and prescriptions need only implementation through appropriate regulation and statute to achieve the mantra of "procurement efficiency."

TABLE 2
ACQUISITION REFORM INITIATIVES AND THEIR MAJOR FINDINGS

ISSUE/ COMMISSION	WHO IS IN CHARGE?	PROCESS INEFFICIENCY	Need for "Business Practices?"	PUBLIC V. PRIVATE SECTORS	ACQUISITION WORKFORCE
HOOVER 1, 1949	Centralize all acquisition under DoD	Excess costs, waste	Yes		
ROCKEFELLER COMMITTEE 1953	Centralize all acquisition under DoD	Excess costs, waste and fraud	Yes		
HOOVER II 1953	Centralize all acquisition under DoD	Excess costs, waste	Yes	Reduce/ eliminate arsenal system	
MCNAMARA INITIATIVES 1961	Centralize all acquisition under DoD	Establish PPBS to control costs	Yes. Increased analysis		
FITZHUGH COMMISSION 1970	Decentralize. SecDef span of control too great.	Too much oversight -- especially Congress	Yes.		Requires professional development
COMMISSION ON GOV'T PROCUREMENT 1972	Centralize all acquisition under DoD	"Streamline" procurements through reducing regs.	Yes		Requires professional development
GRACE COMMISSION 1983	Centralize all acquisition under DoD	Eliminate fraud, waste and abuse	Yes		
PACKARD COMMISSION 1985	Decentralize. SecDef span of control too great.	Consolidate procurement regulations	Yes	Increase use of commercial products	Requires professional development
DEFENSE MGT REVIEW 1989	Centralize all acquisition under DoD	Eliminate fraud, waste and abuse	Yes	Increase use of commercial products	
SECTION 800 PANEL REPORT 1993		Consolidate procurement regulations	Yes	Increase use of commercial products	
NATIONAL PERFORMANCE REVIEW 1993	Centralize policy, decentralized execution	Consolidate procurement regulations	Yes	Increase use of commercial products	Requires professional development

Yet acquisition reform consistently defies conventional systems analysis. All acquisition reform studies note the failure of variously Congress, the Executive Department or the Department of Defense to implement previous findings. One possible explanation for this phenomena is provided by the General Accounting Office. The General Accounting Office suggests that "performance shortfalls, schedule delays and cost increases are persistent problems in weapons acquisition....we believe that they should also be viewed as the logical consequence of the acquisition culture."⁶³ The report further defines the acquisition culture as the collective behavior of DoD and Congress, and, somewhat ominously, "the forces that motivate their behavior." The GAO concludes that rather than errors, lack of expertise, or unforeseen events, it is the "culture," and the forces acting upon it that frequently lead to cost, schedule or performance issues. The GAO also concludes that these problems are an embedded and apparently acceptable part of the process, allowing more programs to survive and thus fulfilling more needs. If this sociological interpretation is correct, no amount of study or regulatory or statutory reform, or even executive persistence, will correct the problems. We are thus left with an interesting dichotomy. Due to the size and complexity of the acquisition process, it is conventional wisdom that one individual cannot change the acquisition system. Yet GAO suggests that only through individual attitudinal change can we re-establish an effective acquisition culture and group norms.

Others, both inside and outside the government, suggest that acquisition reform attempts fail because of ever-increasing congressional oversight and micro-management. This, combined with increasing political pressures, is the critical input precluding effective acquisition reform. As shown in table 3, Congress routinely significantly adjusts the Department of Defense budget requests, adding or changing a substantial number of line item requests. The defense acquisition process itself is

overseen by 29 Congressional committees and 55 subcommittees. In 1993, the Pentagon responded to 120,000 written requests for information from Congress, 60,000 phone calls from Capitol Hill, and provided 1300 witness to 450 Congressional hearings. ⁵⁴ Norman Augustine, CEO of Lockheed- Martin, notes, "the average R&D program is voted on by Congress alone an average of 18 times a year in its 8-year life -- a total of 144 opportunities to change something."⁵⁵

TABLE 3
CONGRESSIONAL LINE ITEM CHANGES TO DOD BUDGET REQUESTS⁵⁶

YEAR	AUTHORIZATION	APPROPRIATION	TOTAL
1980	300	1200	1500
1982	350	1200	1550
1984	900	1500	2400
1986	1350	1800	3150
1988	1250	1700	2950
1990	1150	1350	2500

Supporting the notion of increased Congressional oversight is the public perception that even in the best of times, government relations with private industry are suspect. In the relatively rare instances of total war, the U.S. defense

industry becomes the "arsenal of democracy." But more frequently, the government-business relationship is referenced as the "military-industrial complex," -- in its most pejorative sense-- fraught with fraud, waste and abuse. Unless, of course, the military-industrial complex is the principle source of jobs in the community, at which point it returns to its status as the arsenal of democracy. In either case, Congress is politically incentivized to carefully watch over the defense acquisition process.

Given these factors, is future significant acquisition reform truly an unreachable goal? Is the acquisition process simply too large, culturally entrenched and externally influenced to achieve little more than incremental change? Reforms during the past two years suggest otherwise. The creation of a Deputy Under Secretary of Defense for Acquisition Reform in 1993 sent a clear signal that the Department of Defense was willing to invest and dedicate resources in reforming the acquisition process. But along with this new organization and leadership has also come results. Recommendations long languishing in previous reform reports are becoming reality. Some of these include elimination of military standards and specifications, performance oriented contracting, and consolidation of federal procurement regulations in the Federal Acquisition Streamlining Act of 1994. And for the first time, included in the reform process are methods providing feedback and metrics to measure progress.⁵⁷

So beyond rapid reform implementation, what makes this round of reform proposals any different from previous attempts? There are at least three major differences which should serve as a model for future action. First, the use of process action teams suggests that these reform proposals are based on a precise system of analyzing inputs, processes and outputs. Yet the Congressional and DoD leadership consensus built for implementing these

reforms clearly recognizes an acquisition process that is non-linear, frequently non-sequential, and an open system constantly interacting with the surrounding political, social, international and economic environment. In other words, the results of a systemic analysis were skillfully and successfully merged into an open system normally influenced by a myriad of external and divergent inputs. Secondly, both Congress and the DoD leadership were willing to use "blunt instruments." Previous reform commissions bold recommendations were frequently either ignored or met with calls for "prudence," the bureaucratic and legislative equivalent of "Let's have lunch sometime." Yet given a consensus for action, bold policy moves have been made. These policies include such things as simply eliminating regulatory or legislative firewalls or completely reversing previous guidance, such as directing the use of commercial specifications in contracting. Finally, current reforms recognized that long term, but somewhat obscure objectives -- such as "efficiency"-- require near term successes to maintain momentum for longer term objectives. The use of "pilot programs" and advanced concept technology demonstrations provide the vehicles and concrete examples for demonstrating to all concerned the advantages of commercial-like acquisition, business practices, and a "risk-taking" acquisition culture.

In summary, many of the ghosts of acquisition reform, past and present, are being laid to rest. Significant reforms are occurring. Yet the asymmetry of the defense acquisition process remains. External political, economic, and international influences, as well as inter- and intra-service rivalries will continuously influence the acquisition environment. Budgetary pressures will continue exerting themselves resulting in more calls for even greater efficiency. Leaders will continue fighting bureaucratic cultural inertia. But the ingredients for future acquisition reform exist today. Recent reform activities demonstrate that even in an open system, Congressional, Executive and bureaucratic

consensus can be built and bold actions taken. Perhaps we are finally establishing a "golden age" of acquisition reform on which to build the future. Our challenge is to learn from both our ghosts of past and present reform attempts. Or, in the words of Ebenezer Scrooge:

"Ghost of the Future, I fear you more than any specter I have seen. But as I know your purpose is to do me good, and as I hope to live to be another man from what I was, I am prepared to bear your company, and do it with a thankful heart. Will you not speak to me?"

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